DFARS Transformation

Presented to:

Defense Acquisition University Annual Conference

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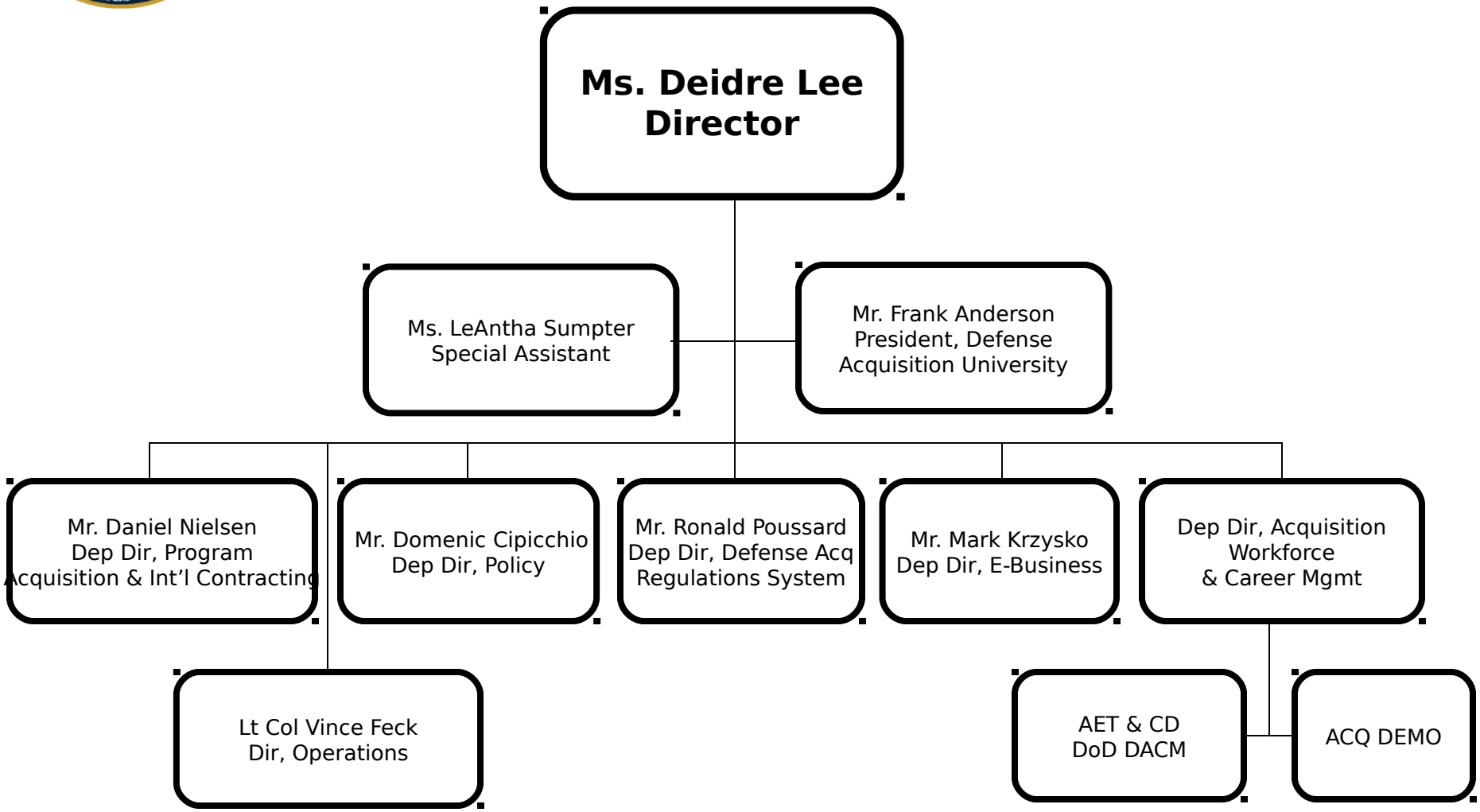
Defense Procurement & Acquisition Policy



Defense Procurement & Acquisition Policy

Vision:

Lead Defense Acquisition to Meet DoD's Needs With Excellence Every Time

Mission:

Develop, promote, and champion innovative Defense policies and processes for acquiring all the goods and services DoD requires to perform its mission.

Overview

- Background
- Results
- Process Change
- Technology Insertion
- DFARS Cases of Interest

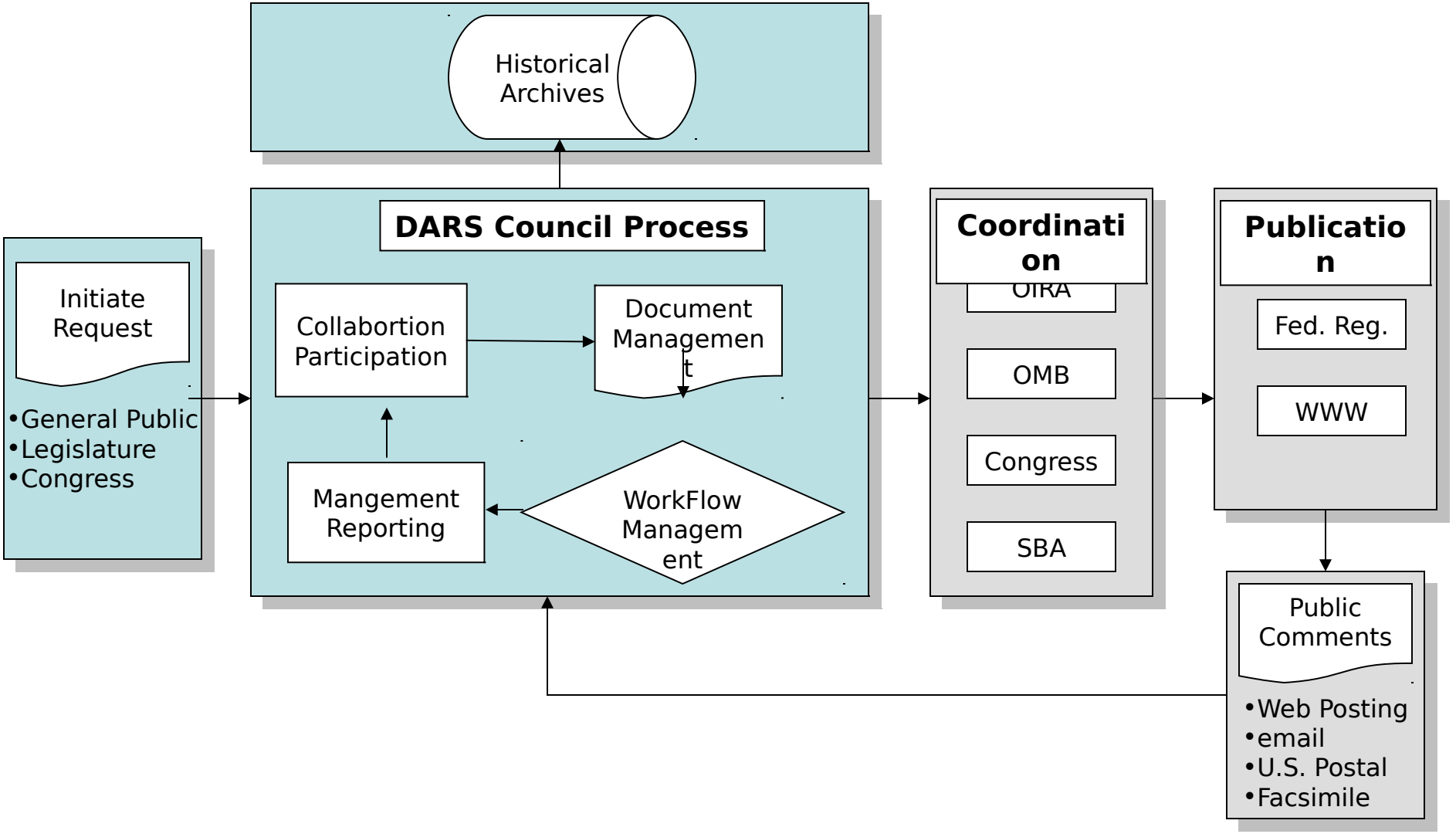
Today's DFARS

- Important to sound business relationships
  - Supports ~ $140 B in contract obligations per FY
  - $2.4 Trillion in obligations since publication
- On-line - DFARS is not available in paper
  - Eliminated 40,000 paper copies + 160,000 copies of changes per year
- Service FAR supplements are shrinking
  - Greater focus on program execution
  - Greater need flexibility to meet unique missions
- Rule-making/policy resources are strained
  - Cumbersome committee process (28 committees)
  - Outdated/inefficient technology

DFARS Challenges

- **Resource intensive**
  - 300 plus people support the FAR/DFARS creation
    - 28 committees (24 led by DoD)
  - Paper-based processes
  - Many agencies involved – can hinder efficiency
- **Time consuming**
  - Idea to reality: 14 month average for FAR changes, 11 months for DFARS
- **Difficult to participate in the rule process**
- **Blurred distinction between true "regulation" (what to do) and "guidance" (how to do it)**

DFARS Rulemaking



End-to- End Life Cycle Tracking and Reporting

DoD Direction

- **Conduct a comprehensive review and transformation of the FAR and DFARS**
  - **Reduce DFARS by 40%**
- **Include operational proceedings used to revise and implement the DFARS**

Fits within OSD Goals and Priorities

- ✓ Improve credibility and effectiveness of acquisition and logistics support process
- ✓ Enhance higher priority activities and improve responsiveness and efficiency
- ✓ Shorten DoD processes by 50%

Goal

- Dramatically improve DoD acquisition regulation process
  - **Responsiveness:** Cut process time in half or better
  - **Manpower:** Reduce dedicated manpower requirements
  - **Transparency:** Open communication with acquisition workforce and industry
  - **Knowledge:** Create user-friendly tool for real-time research, analysis and management of data
  - **E-Rulemaking:** Model an approach to early collaboration in the rule-making process

Create a responsive tool so acquisition teams can build successful contracts and business relationships every time

Objectives

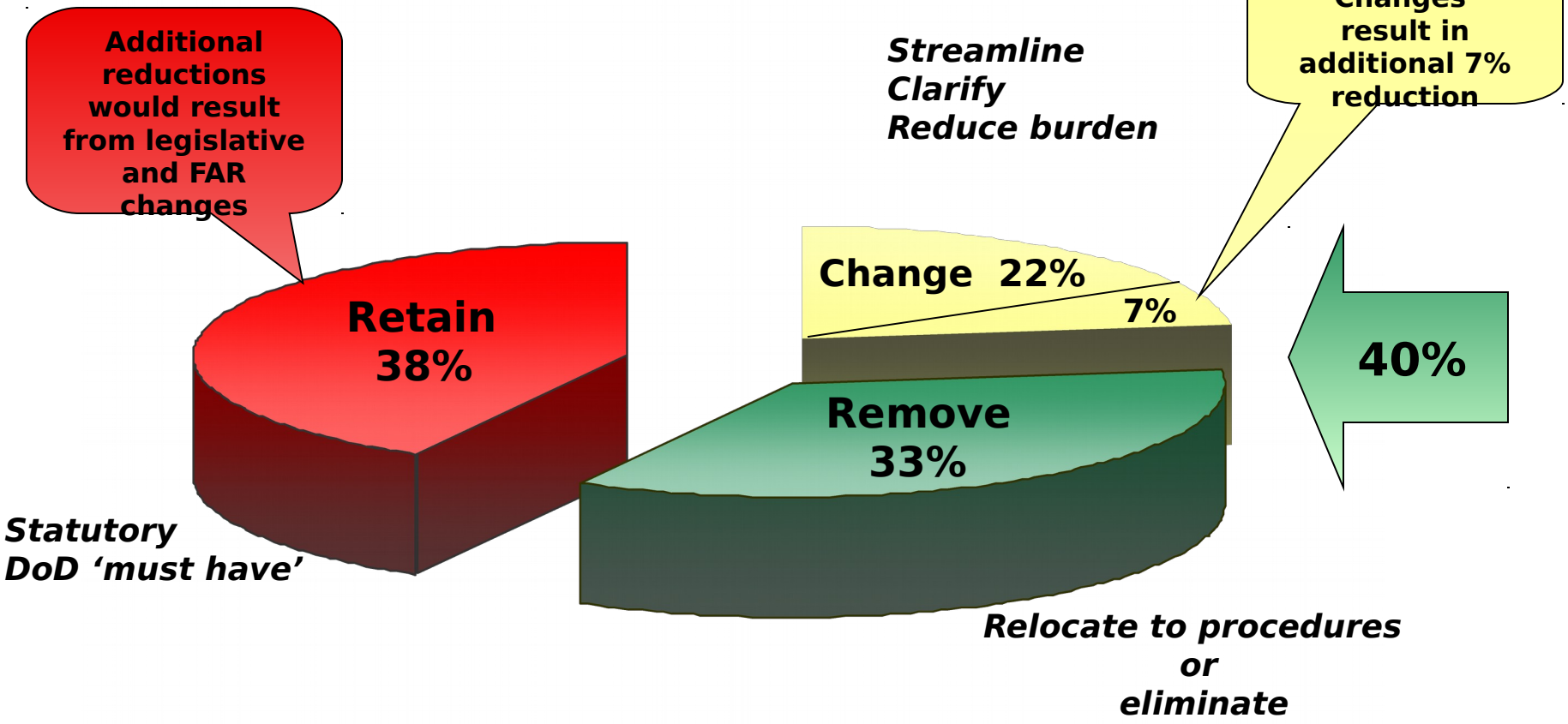
Value-based approach

- Identify opportunities and potential for improvement
  - Policy, process, procedure, authority
- Identify opportunities to reduce regulatory requirements
  - Recast the purpose, process and content of the DFARS

Focus on opportunities with measurable benefit

- Strengthen procurement process, reduce cost, cycle time, administrative burden, foster innovation
- Increase effectiveness

Results*



* Based on estimated word reductions
* Requires full implementation of all proposals

A New DFARS

DFARS, the Regulation --

- Clear requirements & procedures of law
- Mandatory DoD-wide policy
- Deviations from FAR
- Flexible decision processes

Procedures, Guidance and Information

- **PROPOSAL**: Relocate and link to "PGI"
  - Internal guidance, instructions, and procedures (both optional and mandatory)
  - No significant impact on public
  - Not a codified federal regulation
  - Fundamental approach to meet AT&L objectives
- **VALUE**:
  - Fosters an environment of flexibility and innovation
  - Shortens DAR Council and rule-making processes
  - Supports rapid change process
- **APPROACH**: Develop clear objectives
  - Managed content (DARC direction and processes)
  - Seamless access (Web based)
  - Demonstrate alternative technical solutions before implementation

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SUBPART 242.12--NOVATION AND CHANGE-OF-NAME AGREEMENTS

(Revised February 14, 2003)

Current DFARS

242.1203 Processing agreements.

(b)(2)(A) For contracts awarded by the military departments, provide notices to the following addressees instead of individual contracting or contract administration offices—

Army	HQ, U.S. Army Material Command ATTN: AMCCC-P 5001 Eisenhower Avenue Alexandria, VA 22333-0001
Navy	Office of the Assistant Secretary of the Navy Research, Development & Acquisition Acquisition Management 2211 South Clark Place, Room 578 Arlington, VA 22202-3738

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New DFARS!

* Notional Depiction Only*

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HQ, U.S. Army Material Command
ATTN: AMCCC-P5001
Eisenhower Avenue
Alexandria, VA 22333-0001

Navy
Office of the Assistant Secretary of the Navy
Research, Development & Acquisition
Acquisition Management
2211 South Clark Place, Room 578
Arlington, VA 22202-3738

Air Force
HQ Air Force Materiel Command
ATTN: HQ AFMC/PKP

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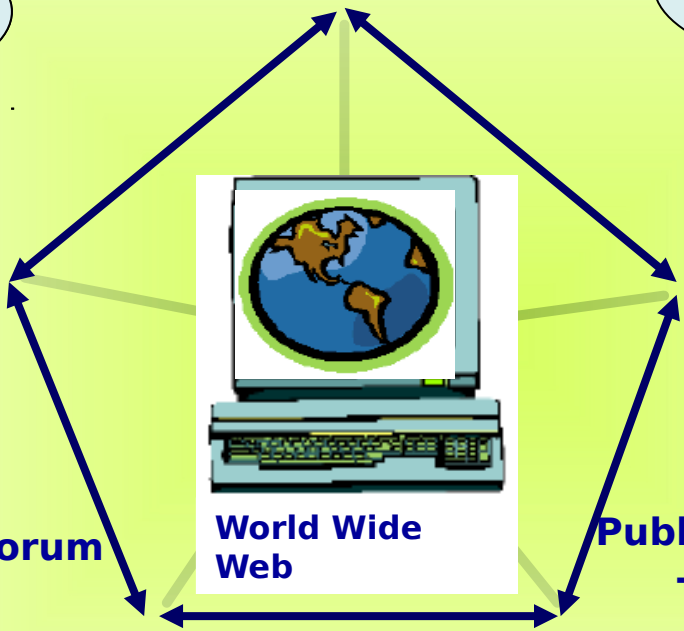
Technology

Enhance Transparency

Work flow & Mgmt Information

Improve Responsiveness



Share Knowledge

Model for E-Rulemaking

Reduce Manpower

RFP in early CY 04

Cases of Interest

DFARS Cases of Interest

- Procedures, Guidance and Information
- Require unique item identification
- Prohibition on source inspections < $250K
- Electronic payment
- Standard payment instructions
- 5 year limit on Task and Delivery Order Contracts (04 NDAA, Section 843)
- Special Emergency Procurement Authority

Summary Matrix for The Temp Emergency Procurement, the Homeland Security Authorities and Special Emergency Procurement Authority

	Current	Temp Emergency Proc. Authority	Homeland Security Act	Special Emergency Procurement Authority
Effective Date		**12/28/2002 –/30/2003**	**1/24/2003 – 11/24/2003**	**[FAC publish date] forward**
Applicability		**Funds Obligated by DoD**	**Solicitations Issued by Federal Agencies**	**Acquisitions of supplies or services that, as determined by the head of the agency, are to be used to support a contingency operation or to facilitate the defense against or the recovery from nuclear, biological, chemical or radiological attack.***
Micro-purchase Threshold (construction)	$2,500 ($2,000)	$15,000 ($2,000)	$7,500 ($2,000)	$15,000 ($2,000)
Simplified Acquisition Threshold	$100,000	For "contingency" Inside US = $250,000	For "contingency Opns" Inside US = $200,000	
Purchase		To support	To support defense	

Note -This summary matrix is intended as a quick reference tool. The FAR is the authoritative source for the use of these authorities.

Summary Matrix for The Temp Emergency Procurement, the Homeland Security Authorities and Special Emergency Procurement Authority

	Current	Temp Emergency Proc. Authority	Homeland Security Act	Special Emergency Procurement Authority
Commercial Item Rules	Use Part 12 for Coml Items	Treat buys for Biotechnology and Biotechnology Services as Commercial Items	Treat Buys To Support Defense Against, Recovery From Terrorism Or Chem/Bio/ Nuclear/Radiological Attack As Commercial Items;	- Applicable supplies and services* may be treated as commercial items. - Sole source contracts over $15 for such items are not exempted from CAS or Cost and pricing data requirement
	Use FAR 13.5 SAP for Commercial Items to $5M	Not Applicable	Use FAR 13.5 SAP with UNLIMITED $	Use FAR 13.5 SAP to $10M
Small Business Set-Aside (FAR 19.502)	$2,500 - $100,000	$15,000 - $100,00	$7,500 -100,000 For "Contingency Opns" Inside US $7,500-$200,000	$15,000 - $250,000
Very Sm Business Pilot Program (FAR 19.903)	$2,500 – $50,000	$15,000 – $50,000	$7,500 –$50,000	Not Applicable

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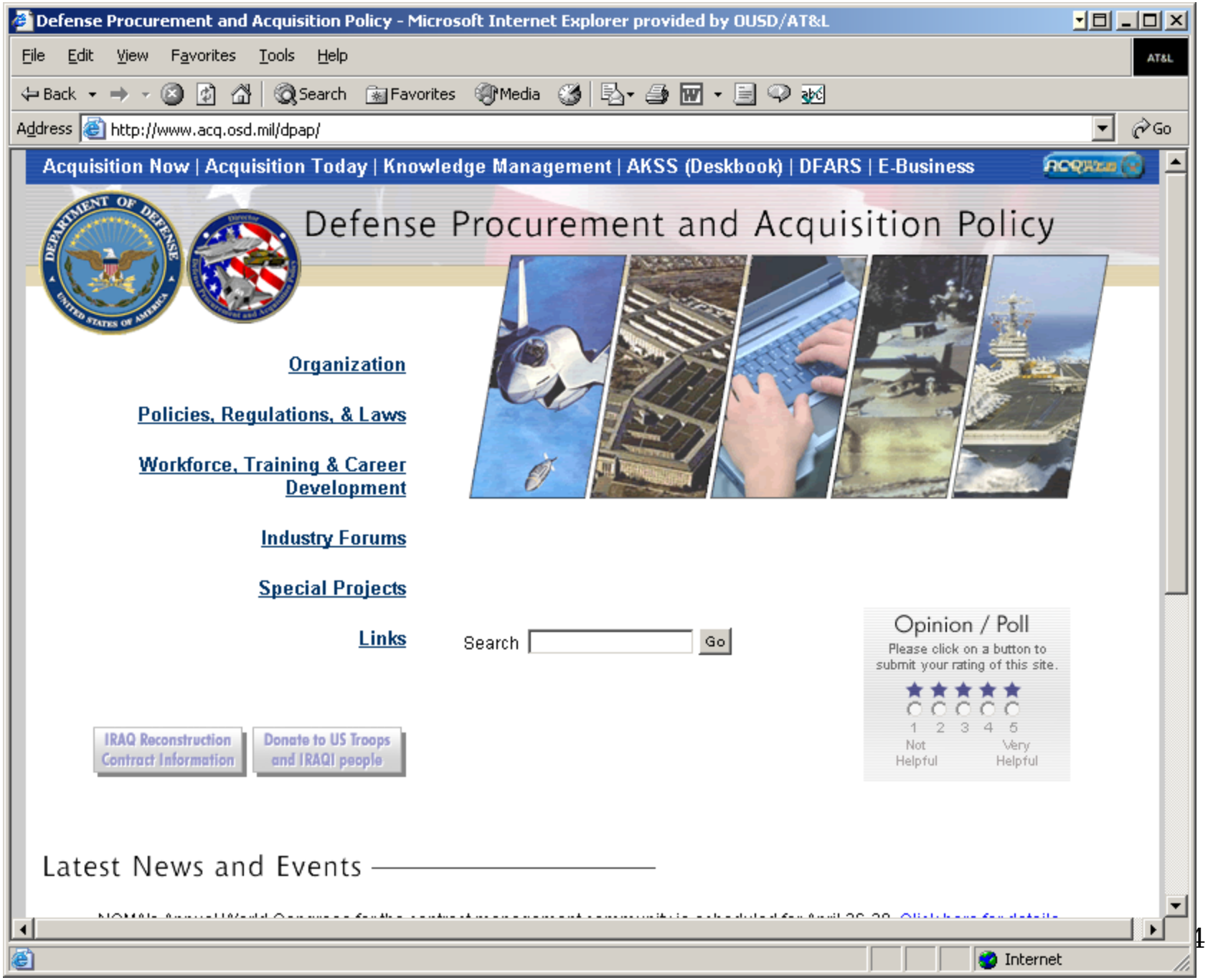
Summary Matrix for The Temp Emergency Procurement, the Homeland Security Authorities and Special Emergency Procurement Authority

	Current	Temp Emergency Proc. Authority	Homeland Security Act	Special Emergency Procurement Authority
Dollar limit on sole source 8(a) (FAR 19.805)	$5M with (NAICS) Mfg & $ 3 M all others	Not Applicable	Eliminated dollar limitations on sole source 8(a) acquisitions and HUBZone Sole Source for buys to support defense against, recovery from terrorism or Chem/Bio/ Nuclear/Radiological attack.	Not Applicable
HUBZone	$5M (NAICS) Mfg, $3 M other (NAICS)	Not Applicable		Not Applicable
Buy-American Act Clause (FAR 52.225-1)	Apply to solict. & contracts over $2,500	Apply to solict. & contracts over $15,000	Apply to solict. & contracts over $7,500	Apply to solicitations & contracts over $15,000

te -This summary matrix is intended as a quick reference tool. The FAR is the authoritative source for the use of these authorities.

DFARS Transformation Summary

- Comprehensive review of the regulation
  - Add value to achieving the mission
  - Demo approaches to procedures and guidance resource
- Transform DFARS rule making process
  - Better process = better product with value to the acquisition community
  - Improve responsiveness, effectiveness, transparency and simplicity
  - Create a value-based product (what, why and training on how)
- Exploit technology
  - Build an responsive acquisition rule making system
  - Create a forum for idea generation, publishing, collaboration, feedback, data, research, retrieval
  - Bring the PCO and the public to the rule-making table - early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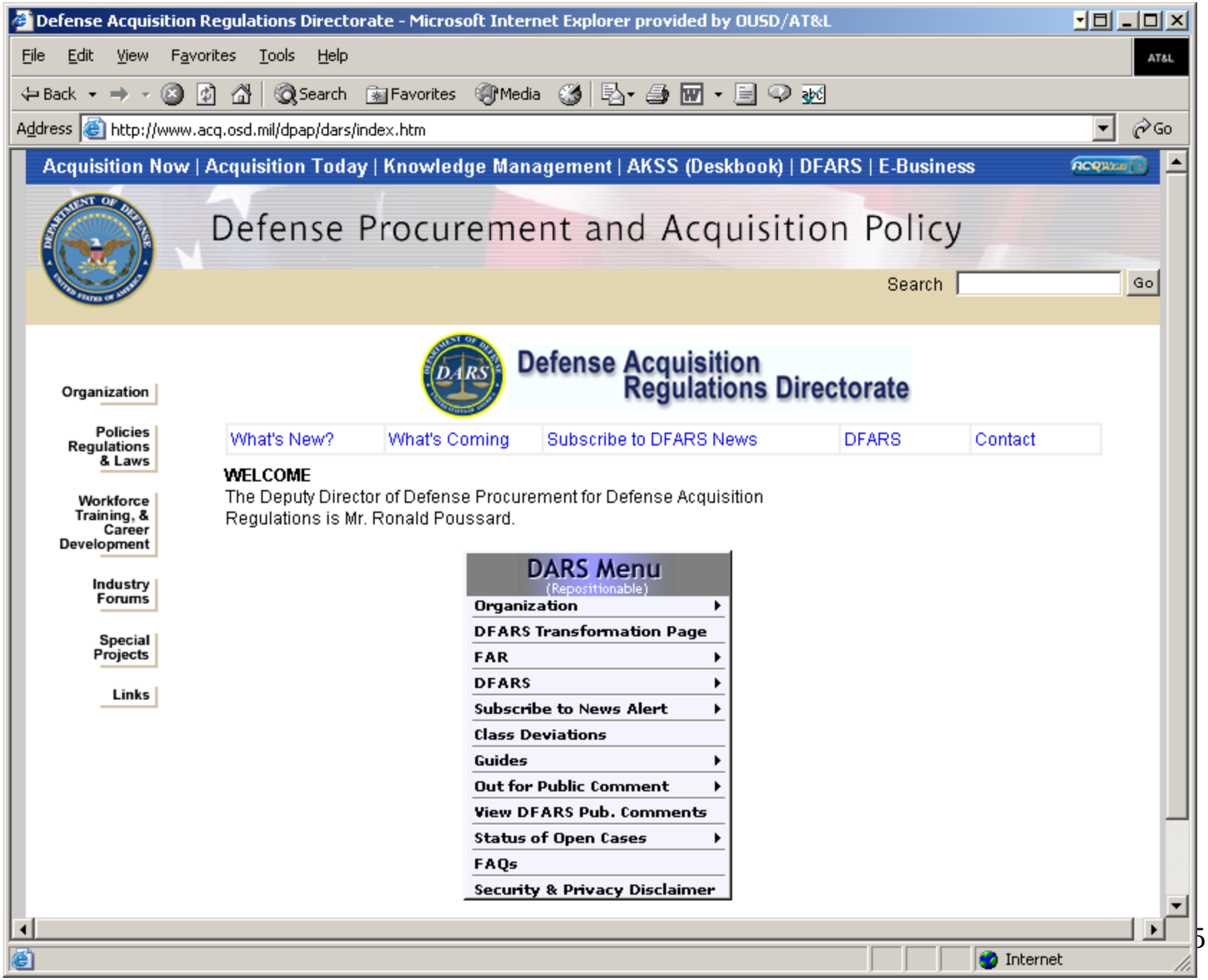
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BACK-UPs

Transformation Cases:

Case Number	Committee	Title	Date Opened
Cases at Committee - 42			
2003-D008	International Acquisition	(T)Part 225,Foreign Acquisition	6/11/2003
2003-D026	Govt Property/Plant Clearance	(T) Part 245,Government Property (Non-Complex Proposals Not Involving Transfer to the DoD Property Manual)	7/9/2003
2003-D029	Small Business	(T) Other Socioeconomic Programs	7/9/2003
2003-D033	Construction/A-E/Bonds	(T) Bonds	7/23/2003
2003-D034	Construction/A-E/Bonds	(T) Construction	7/23/2003
2003-D035	Construction/A-E/Bonds	(T) Architect Engineer Services	7/23/2003
2003-D044	Contract Placement	(T) Acquisition Planning	7/28/2003
2003-D041	Contract Services/A-76	(T) Specialized Service Contracting	7/30/2003
2003-D043	Contract Finance	(T) Contract Financing	7/30/2003
2003-D047	Small Business	(T) Small Business Programs	7/30/2003
2003-D039	Environmental	(T) Envirommment,Energy and Water Efficiency,Renewable Energy Technologies,Occupational Safety,and Drug-Free Workplace.	7/31/2003
2003-D049	Patents Data & Copyrights	(T) Patents,Data and Copyrights	7/31/2003
2003-D046	Contract Administration	(T)Part 249,Termination of Contracts	8/6/2003

Transformation Cases:

Case Number	Committee	Title	Date Opened
2003-D051	Contract Administration	(T)Revisions to List of Contract Administration Functions	8/6/2003
2003-D052	Contract Administration	(T) Authorization of Mirror Contracts	8/6/2003
2003-D060	Small Business	(T) Clarify the Threshold for Small Business Specialist Review	8/6/2003
2003-D061	Small Business	(T) Small Business Reinvention Initiative Reporting Requirement	8/6/2003
2003-D068	Information Technology	(T) Acquisition of Information Technology	8/6/2003
2003-D071	Systems Acquisition	(T) Component Breakout	8/6/2003
2003-D072	Contract Placement	(T) Required Sources of Supplies and Services	8/6/2003
2003-D073	Contract Placement	(T) Describing Agency Needs	8/6/2003
2003-D075	Simplified Acquisition	(T)Simplified Acquisition Procedures	8/6/2003
2003-D076	Contract Placement	(T) Sealed Bidding	8/6/2003
2003-D077	Contract Placement	(T) Contracting by Negotiation	8/6/2003
2003-D078	Contract Placement	(T) Types of Contracts	8/6/2003
2003-D079	Contract Placement	(T)Special Contracting Methods	8/6/2003
2003-D080	Contract Placement	(T) Market Research	8/6/2003
2003-D082	Contract Administration	(T) Part 204,Administrative Matters Related to Contract Administration	8/13/2003
2003-D083	Contract Reporting	(T)Part 204 Administrative Matters Related to Contract Reporting	8/13/2003

Transformation Cases:

Case Number	Committee	Title	Date Opened
2003-D085	Quality Assurance	(T) DFARS Appendix F,Material Inspection and Receiving Report	8/13/2003
2003-D053	Information Technology	(T)Updated Part 252.239 Clause Titles.	8/20/2003
2003-D054	Information Technology	(T)Update Information Technology (IT) Unique Procedures.	8/20/2003
2003-D055	Information Technology	(T)Clarify Utility Related Terms	8/20/2003
2003-D056	Information Technology	(T)Commuication Service Authorizations.	8/20/2003
2003-D062	Small Business	(T) Increase the Architect-Engineer (A&E) Small Business Services Set-Aside Threshold	8/20/2003
2003-D063	Small Business	(T) Small Business Competitiveness Demonstration Program ? Administrative Change	8/20/2003
2003-D064	Contract Placement	(T) Extend Limitation on Ordering Period for Orders Under Basic Ordering Agreements	8/20/2003
2003-D065	Contract Placement	(T) Remove Solicitation/Award Procedure Restrictions for Master Agreements for Repair and Alteration of Vessels (MARAVs)	8/20/2003
2003-D066	Contract Placement	(T) Remove Appendix E "DoD Spare Parts Breakout Program" from the DFARS	8/20/2003
2003-D086	Govt Property/Plant Clearance	(T)Part 245,Government Property (Non-Complex Proposals Involving Transfer to the DoD Property Manual)	8/28/2003

Transformation Cases:

Case Number	Committee	Title	Date Opened
Cases at DAR Council - 13			
2003-D016	Contract Placement	(T) Publicizing Contract Actions	6/25/2003
2003-D024	Contract Administration	(T) Part 243,Contract Modifications	7/7/2003
2003-D025	Contract Administration	(T) Part 244,Subcontracting Policies and Procedures	7/9/2003
2003-D028	Transportation	(T) Part 247,Transportation	7/9/2003
2003-D030	Systems Acquisition	(T) Major System Acquisition	7/9/2003
2003-D048	Ad Hoc	(T) Extraordinary Contractual Actions	7/29/2003
2003-D042	Contract Services/A-76	(T) Service Contracting	7/30/2003
2003-D045	Contract Placement	(T) Part 251,Use of Government Sources by Contractors	8/6/2003
2003-D069	Utilities	(T) Acquisition of Utility Services	8/6/2003
2003-D057	Research and Development	(T)Raise Thresholds and Lower Approval Levels of Fixed-Price Research and Developement Contracts.	8/20/2003
2003-D058	Research and Development	(T) Remove Obsolete Research and Development Streamlined Contracting Procedures.	8/20/2003
2003-D059	Simplified Acquisition	(T)Approval Levels for Micropurchases and Payments not via the Purchase Card	8/20/2003
2003-D017	Contract Placement	(T) Competition Requirements	

Transformation Cases:

Case Number	Committee	Title	Date Opened
Cases at DAR Staff Processing - 18			
2003-D009	Contract Finance	(T) Payment and Billing Instructions	6/13/2003
2003-D010	Ad Hoc	(T) Part 233,Protests,Disputes,and Appeals,and Appendix A	6/18/2003
2003-D011	Contract Placement	(T) Applicable Sections of Part 209,Contractor Qualifications,that Relate to Contract Placement	6/18/2003
2003-D012	Debarment Suspension & Business Ethics	(T) DFARS Part 203,Improper Business Practices and Organizational Conflicts of Interest,and Applicable Sections of Part 209,Contractor Qualifications,that Relate to Debarment,Suspension,and Business Ethics	6/18/2003
2003-D015	Cost Accounting Standards	(T) Cost Accounting Standards	7/9/2003
2003-D018	International Acquisition	(T)Laws Not Applicable to Commercial Subcontracts	7/9/2003
2003-D019	Labor	(T) Application of Labor Laws to Government Acquisitions	7/9/2003
2003-D021	International Acquisition	(T) Clarification of Statutory Restriction on Acquisition of Foreign Ball and Roller Bearings	7/9/2003
2003-D022	International Acquisition	(T) Berry Amendment - "De Minimus" Exception	7/9/2003
2003-D023	Contract Administration	(T) Part 242,Contract Administration and Audit Services	7/9/2003

Transformation Cases:

Case Number	Committee	Title	Date Opened
2003-D032	Taxes	(T) Taxes	7/23/2003
2003-D036	Cost Principles	(T) Cost Principles and Procedures	7/23/2003
2003-D037	Insurance	(T) Insurance	7/23/2003
2003-D038	Ad Hoc	(T) Protection of Privacy and Freedom of Information	7/29/2003
2003-D067	Research and Development	(T) Research and Development Contracting	8/6/2003
2003-D020	International Acquisition	(T)Application of Balance of Payment to DoD Acquisitions	
Cases at OIRA - 1			
2003-D081	Ad Hoc	(T) Unique Item Identifier	8/6/2003
Cases on Hold – 1			
2003-D014	Pricing	(T) Contract Pricing	7/1/2003
Cases Out for Public Comment – 1			
2002-D015	Contract Administration	(T) Production Surveillance and Reporting	6/17/2002
Final Rules Published - 2			
	International	(T) Exception for Acquisitions of U.S. Made End Products in	